

The Financial Times of Indiana

News from the Office of Governor Frank O'Bannon

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The News in brief...

Books Closed for FY 02: O'Bannon Stresses Continued Fiscal Restraint

With newly appointed Budget Director Marilyn Schultz at his side, Governor Frank O'Bannon today announced budget closeout numbers for FY 2002. The "closeout" process refers to the procedure undertaken each year following the end of the July 1 – June 30 state fiscal year to determine the state's fiscal standing at that given time.

For FY 2002, Indiana has combined balances of \$534.2 million, with none of that in the state's general fund, or "checking account". Combined balances refer to the general fund balance plus the balances of the state's reserve funds.

One recession-driven figure shows that for the second year in a row, Indiana experienced negative revenue growth, which means the state received a smaller amount of tax revenues in FY 02 than in FY 01. Negative growth also occurred in FY 01 as compared to FY 00. Having two years in a row of declining revenue collections is unprecedented in Hoosier history, and demonstrates how hard Indiana has been hit by this historically long recession.

In this afternoon's news conference, the Governor stressed the importance of continued budget management, and thanked agency officials and state employees for their efforts in making tough budget choices and coming through by meeting budget cuts, making tough personal sacrifices, and still maintaining services.

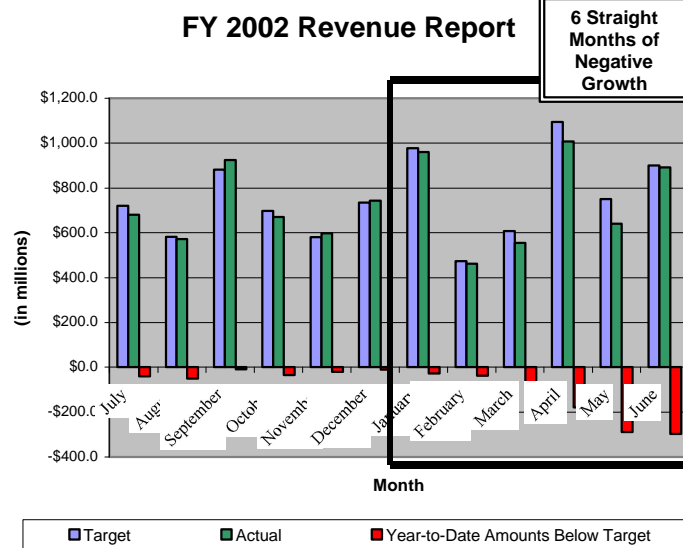
"I asked them to cut back, and they cut back," the Governor said. "So it is clear to me that we are managing the state's finances under extremely difficult circumstances – and managing well."

Governor O'Bannon also again thanked members of the General Assembly, both Democrats and Republicans for passing HB 1001ss. Provisions in House Enrolled Act 1001 give the state budget additional revenues of nearly \$600 million per year through raising taxes on gaming and cigarettes.

While looking toward the 2003-2005 biennial budget process, O'Bannon focused on the future:

"We have managed. We will manage, and we will continue to work together as we prepare a budget for the new biennium," the Governor said, "Our state's future is now, and it will be driven by our continuous focus on Hoosiers getting an education, having good jobs, and Hoosier families being provided important services they need and deserve."

FY 2002 Revenue Report



Indiana FY 2002 Budget Snapshot

General Fund Balance:	\$0
Combined Balances:	\$534.2 M
Reserve Balances as % of State Operating Revenue:	6.1%
FY 2002 Revenue Growth Rate:	-3.8%
Amount of Revenue Below Projections:	\$296.7 M

A Look At June

For nine months in FY 2002, Indiana tax revenues came in below projections, totaling \$296.7 million below for the fiscal year. In June, revenues were short \$7.8 million, significantly up from the month of May, when revenues came in a staggering \$110 million below where they needed to be.

For the month, individual income tax collections were \$17.8 million above forecasts, and corporate income taxes were \$11.9 million above. However, sales tax collections were \$17.9 million below projections.

One month does not make a trend, so it is premature to suggest that Indiana has turned the corner on the recession. However, it was certainly reassuring to see that revenues in June were not as dismal as those in May.